



JONATHAN KANNAIR

“We believe that there’s a big opportunity for the whole-plane car-service-with-wings model that we’re employing.”

Starting a company was the last thing on William Herp’s mind when he caught the aviation bug in 1996. In fact, he’d already launched several businesses and was in the midst of a break from his entrepreneurial efforts.

Herp used the time off to take flying lessons and get a pilot’s license, something he’d always wanted to do. “Then I started subscribing to all the aviation magazines,” he told us, “and I became aware of the programs that were going to be harnessing these new [very light jet] engines.”

That’s when Herp’s entrepreneurial spirit kicked in. “I began to see that the window was opening on the opportunity for the very light jets and an air-taxi business,” he said. At the time, he was CEO of e-Dialog, an online marketing technology company he’d founded the same year he got his pilot’s license. “But by 2003, that business had reached a point where my day-to-day involvement was no longer required,” he explained. “So I decided to throttle back my involvement in e-Dialog and start Linear Air.”

About four years later, the Concord, Mass.-based air-taxi company appears poised to grab the opportunity that Herp envisioned. At the moment, it operates a relatively modest-sized fleet of five single-engine turboprops—all Cessna Caravans—in the Northeast and Mid-Atlantic U.S., Canada and the Caribbean. But Herp’s ambitions are larger than that fleet might suggest. His company will take delivery of its first Eclipse 500 very light jet around the time you read this and will acquire a total of 30 of the VLJs over the next two years. By then, Herp hopes to be a major player in what he thinks will be a burgeoning VLJ air-taxi field.

When we met with him recently, he told us how he expects to achieve that goal.

Convincing airline travelers to make the leap to chartered VLJs

Interview by Jeff Burger

Your businesses have all been in different fields.

Totally different fields, but they all shared the hallmark of high growth [potential] and most of them also involved technology that opened up a whole new market segment.

How does your business model for Linear Air differ from that of, say, DayJet?

DayJet is offering per-seat service. We are not intending to offer per-seat service. We believe that we have developed a market with a whole-plane model that will provide a sufficient level of growth and will turn us into a pretty successful air-taxi operator.

Why have you opted to sell the whole airplane for a flight?

We look at that as more of a low-risk, low-hanging-fruit opportunity, whereas DayJet is more of a high-hanging-fruit model. Not to be pejorative—DayJet could turn out to be a terrific business, but it’s a very risky proposition in terms of the amount of capital that has to be deployed to determine whether there’s any fruit

at the top of the tree, to extend the metaphor. It’s tens of millions of dollars that DayJet has deployed and tens of millions more that they will deploy to create the infrastructure to match supply and demand at the per-seat level.

Of course, on a VLJ, the whole airplane is not a whole lot more seats than one. How many seats are you talking about selling when you sell the whole airplane?

That’s true. The average passenger load when we charter the whole airplane [currently an eight-seat Cessna Caravan] is three people.

Why did you opt to test the market with the Caravan?

What we’ve done is establish a tremendous amount of credibility with customers, partners and investors with a relatively small amount of capital deployed. The work we’ve done developing the customer base is entirely transferable to the Eclipse.

Continued on page 22 ►

► Continued from page 20

Can you talk about the provision of the Federal Aviation Regulations that you're taking advantage of to have four scheduled flights a week?

Part 119 defines which operations need to be performed under which commercial chapter, and in Part 119.3, "on demand" is defined as a specifically negotiated trip between a customer and a carrier as to the departure, destination, date and time. But it also includes a carve-out that allows an on-demand operator to perform scheduled service with a frequency of fewer than five

privately before. So we're making good on our promise to transform private air travel by making it more affordable and by communicating and justifying that to the customers who try us.

Speaking of "more affordable," you also say you offer "private airline service at airline prices." Really?

That's a provocative term, which is by design. But it's not uncommon for someone traveling on a regional basis for business on the airlines to pay \$800 or \$1,000 for those sorts of missions. So, say you've got three people traveling,

is \$895 per hour and it goes about 160 knots. The Eclipse will be about \$1,500 per hour and will go maybe twice as fast, depending on the routing and altitude and all the rest. It may even be a little less to fly on the Eclipse, depending on the routing.

You've said you're mostly targeting people who haven't flown privately before. How have they come to you?

We've said we believe there is a large market opportunity for [selling to] people traveling in small groups on regional business day trips. Who are

What I've heard is that people aren't yet comfortable closing a deal for a purchase that big on the Web. They like to shop around online, but when they're ready to book a flight, they want to talk to a human being.

That's consistent with our view of where the market stands. So with our Web site, folks make a charter request and then a salesperson calls and addresses any concerns they have. Probably educates them a bit, particularly if they haven't flown privately before. On a 2.0 version of our Web site, which we expect to release shortly, we'll



"In five years, customers will be able to perceive that it's as easy to charter a VLJ as to buy an airline ticket or rent a car. We'll have distribution on all the major travel Web sites."

round-trips per week. And the Department of Transportation and the FAA have taken the position that publishing a flight schedule can include simply telling someone when they call on the phone that you've got a flight going at a certain time. That allows us to use the Caravan to provide scheduled service. It's restricted to a small aircraft that is not turbojet-powered.

So you won't be able to continue this with the Eclipse.

That's correct. The scheduled service is primarily a technique to introduce people who don't currently fly privately to the benefits of flying privately in the mode of purchase that they're used to. We sell them a seat [on a scheduled flight] and we take them to their vacation home. Their demographic profile is such that they also can be the decision makers or the purchase influencers for a small business team traveling on a regional day trip. And once they've experienced private air travel, we're in a better position to convert them to chartering the entire aircraft.

Your literature says you're "transforming the private air industry."

I can justify that in terms of the types of customers we're attracting. They're not people who've flown

Industry Insider Résumé:

William Herp

- **Position:** President and CEO, Linear Air
- **Past Experience:** In 1996, founded e-Dialog, an online marketing technology company that now has nearly 200 employees. From 1993 to 1995, was vice president and CFO of Geerlings & Wade, a wine distributor. Previously started and led several entrepreneurial ventures, including a cellular telephone company that was acquired by publicly traded Shared Technologies.
- **Education:** B.B.A., University of Notre Dame. M.B.A., Harvard Business School.
- **Personal:** Age 44. Lives in Lexington, Mass., with wife Carolyn and two daughters, ages 11 and 15. Season ticket holder for Boston Patriots and Red Sox "and maybe soon the Celtics if they make some good moves in the off season."

and they're paying \$900 a person. That's a \$2,700 trip. There are a lot of trip profiles that we can fly with the Caravan and soon with the Eclipse that will allow us to do that trip for about \$3,000 on a whole-plane charter. So it's not low-cost-carrier airline prices, but we're capturing attention with the message "private air travel at airline prices" and then we're justifying it on the basis of those business teams traveling on regional day trips, substituting us for full coach fares on the airlines.

How will costs with the VLJ compare with costs with the Caravan?

We think they're going to be roughly equivalent. The Caravan rate

those people and who will be the first who will recognize the benefit of a VLJ air taxi? And from that, we've said those people will share a demographic profile with, for example, people who own homes on Martha's Vineyard in Nantucket. So we've gone out to those folks and said, "Hey, why don't you try Linear Air as an alternative to driving and taking the ferry or flying the airlines out of Logan [Airport in Boston]?"

You've reached them via advertising?

We've used pretty much the full range of media with the exception of broadcast radio and television—direct mail, online, print advertising, PR, partnerships, events.

Once you find the customers, how are you using technology to interact with them?

There is technology that allows an individual visiting our Web site to request a charter. By itself, that's not a big deal. But then there is workflow on the back end that enables us to manage that charter request and provide a quote and close on that sale and ultimately deliver the service. That provides a tremendous amount of efficiency so we can serve a relatively high volume of requests.

give the individual requesting a charter a quote and availability information right online. But the request will still trigger a follow-up call from a salesperson.

What do you know about the demographics of your customers? You mentioned people who own homes on Martha's Vineyard. That sounds a little more high end than DayJet, which talks about targeting \$80,000-a-year middle managers.

I'd agree with that. I think the whole-plane model that we talk about [attracts] a different customer than DayJet tends to target with the per-seat model because the unit purchase price is higher.

You've said, "When chartering a VLJ is as easy as renting a car, that's when we'll see real market growth." When will that be?

That's where we're investing in technology, in improving that interface primarily through the Web such that customers will receive pricing and availability and understand that the value proposition works for them and that it is as easy as renting a car.

Do you think in five years that it will be?

Well, I think in five years, the operators that end up taking a dominant position in the marketplace will have sufficient

distribution for customers to be able to perceive that it's as easy as buying an airline ticket or renting a car. We'll have distribution on all the major travel [Web] sites and through the data services that corporate travel agents use. And then, of course, there will be the opportunity for folks to come to the dedicated Web sites of the operators.

Do you expect to draw any customers at all from the ranks of those who now use charter, jet cards or fractional shares?

There certainly have been and will continue to be individuals who currently fly privately and look to Linear Air to average down their overall cost of flying privately by using a more affordable aircraft for shorter trips. But over time, the economics will begin to be seen as compelling by business teams traveling in small groups on regional day trips where they're comparing it against full coach tickets. We think we'll be able to reach into the airline marketplace and take away a significant number of customers. We've already established that the customer

is out there looking for this. Based on the 10,000 people in our database, we believe that there's a big opportunity for the whole-plane car-service-with-wings model that we're employing.

Who are the 10,000? Not all people who've flown with you?

No, these are people who've expressed interest. About a tenth of that number have actually flown with us.

Are you concerned about customer reactions to the size of the VLJ cabin? On a midsize business jet such as the Hawker 800, you can feel as if you're in a private room on a commercial airliner. But VLJs are not going to feel that way.

You're absolutely right. But it's a matter of perspective. If your perspective is someone who flies privately and has the context of a Hawker, you're probably not going to view the Eclipse as an alternative. However, if you're—as I was yesterday—in seat 35D of a Delta Airlines MD80 with a person sitting next to you who is two thirds into your seat.

“We think we'll be able to reach into the airline marketplace and take away a significant number of customers.”

Isn't business class a better comparison?

Not necessarily. At my last company, we would think nothing of buying full-fare coach tickets to send three people to Indianapolis from Boston if someone there called that we'd been trying to get a million-dollar contract with. We're not going to be putting them in business class. We'll put them in coach, but they're going to be paying the most expensive price for the worst seats on the airplane. They're going to be in all the middle seats and crammed in between all the people who paid a third of what they paid because they made the reservation two weeks ago. That's why I think the size of the [VLJ] aircraft is ultimately not an issue. Because comparing it to a coach seat in an airline, it's a better experience. ■



JONATHAN KANNAIR